

Acct 2037 Exam 2: Fall 2009 (100 points; 75 minutes)

Name [Signature] Lab Time Friday, 10:50-11:15  
Student ID# [Signature] Lab Instructor [Signature]

Instructions:

1. You should use the template on the back of this page to show your answers to the multiple choice and fill-in-the-blank questions. There are 5 open-ended problems. If you are missing a problem or page, notify your TA before beginning this exam. Do not tear any pages out of this exam.
2. This is a long test. Allocate your time wisely--do troublesome items last. Show and label all your work on the exam in the space provided. We cannot give ANY credit on the open-ended problems without seeing your work!
3. When you are finished, turn the exam in to your TA. At this time, have your Student ID ready so it can be checked.

Multiple Choice / Fill-in-the-blank Answer Sheet

~~1.~~ Inventory

Re: 10/10

~~2.~~ Cost of Goods Available for Sale

COGS ~~10/10/10~~

~~3.~~ Manufacturing Expenses

~~10/10/10~~

4. payback period

Original

~~5.~~ Production?

6. double declining

7. lower cost

8. leverage

9. A

~~10.~~ C      A

~~11.~~ A      B

12. B

~~13.~~ C      B

~~14.~~ D      C

15. B

-29  $\frac{7}{100}$

### Completion

Complete each sentence or statement.

1. A(n) Periodic counting system determines the inventory on hand by a physical count at the end of the accounting period.
2. Another name for inventory expense is COGS.
3. Cash receipts and payments that occurred prior to the capital expenditure decision are irrelevant because they cannot be affected by the decision. These are referred to as sunk costs.
4. The payback period is the length of time required for a return of the initial investment.
5. Normal causes of depreciation include wear and tear, deterioration and decay, and damage and destruction.
6. A company using the Double-Declining depreciation method computes depreciation by multiplying the book value of the asset at the beginning of the year by twice the straight line rate.
7. The coupon rate is the rate at which the issuer of the bond pays interest on the face value each period until the maturity date.
8. Leverage is the use of borrowing by a company to increase the return to common stockholders.

**Multiple Choice** Identify the letter of the choice that best completes the statement or answers the question.

- A 9. FOB shipping point means:
- (a) The selling company transfers ownership of the inventory to the purchaser at the place of the sale.
  - (b) The selling company transfers ownership of the inventory to the purchaser at the purchaser's place of business.
  - (c) The selling company transfers ownership of the inventory to the purchaser while the product is in transit.
  - (d) None of the above.
- A 10. During a period of falling prices, which of the following combinations of inventory systems and inventory cost flow assumptions would minimize current income tax payments?
- a. Perpetual and FIFO
  - b. Specific ID and average cost
  - c. Perpetual and LIFO
  - d. Average cost and LIFO